Testimony of

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before the

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Mr. Chairman and members of the committee, we appreciate the opportunity to review the operation of the Farm Bill's conservation programs administered by the Farm Service Agency (FSA). We are pleased to share our experiences in implementing the Conservation Title for the past four years. We will also offer our observations on the changing business environment in which the programs operate, particularly as Congress begins to consider appropriate policies for the next Farm Bill.

America's farmers and ranchers have significantly improved our environment over the last 20 years. Soil erosion on cropland has been reduced by over 1.2 billion tons per year. This past year we had a net increase in wetlands which was a first in our nation's history. As of April 2006, the Conservation Reserve Program (CRP) restored more than 2 million acres of wetlands and approximately 2 million acres of buffers. CRP will effectively reduce soil erosion by 454 million tons each year.

Overview of the Conservation Title

Proclaiming that "…every day is Earth Day…" for farmers and ranchers, the President has stated that conservation programs enable us to be better stewards of our nation's natural resources. The President supported and welcomed a strong conservation title in the Food Security and Rural Investment Act of 2002 (2002 Farm Bill). The 2002 Farm Bill responded to a broad range of ongoing conservation challenges including soil erosion, wetlands conservation, water quality, and wildlife habitat improvement. Other challenges today include emerging energy issues and potential markets for sequestered carbon.

FSA administers the largest public-private conservation partnership in America. CRP is a voluntary program for agricultural land owners and operators. CRP provides annual rental payments and cost-share assistance to establish long-term, resource-conserving covers on certain eligible farmland through long-term rental contracts.

CRP provides a variety of options for restoring highly erodible land, improving water quality and conserving water, restoring wetlands, improving air and soil quality, and enhancing wildlife habitat. While the focus of the program is assisting farmers and ranchers to protect environmentally-sensitive cropland, its portfolio was expanded to include marginal pastureland. CRP is also working to restore forest lands damaged by hurricanes in 2005.

FSA also implements the Emergency Conservation Program (ECP). Under ECP, FSA shares the costs of rehabilitating farmland damaged by natural disasters including flooding, tornados, hurricanes, ice storms, wildfires, and drought.

Additionally, FSA shares implementation of conservation compliance and the Grassland Reserve Program (GRP) with the Natural Resources Conservation Service (NRCS). NRCS benefits from FSA's Web based name and address file, the Service Center Information Management System (SCIMS) and comprehensive GIS databases of farm

field boundaries called the Common Land Unit (CLU). Likewise, FSA benefits from using the digitized database of soils offered by NRCS.

Operations and Performance Since 2002

Conservation Reserve Program. When CRP was authorized 20 years ago under the Food Security Act of 1985 (1985 Farm Bill), almost all acres that were enrolled were intended to help reduce cropland erosion. Many initially regarded this program as a commodity supply management tool. As CRP was implemented, it became clear that this evolving program offered substantial benefits for water quality, wildlife habitat and protection of other environmentally sensitive land, as well. With the Food, Agriculture, Conservation, and Trade Act of 1990, emphasis began to shift toward protecting more environmentally sensitive land. FSA began to focus CRP resources to more effectively target water and air quality, wildlife habitat, and prevention of soil erosion.

The 2002 Farm Bill expanded CRP's authority to enroll marginal pastureland and expanded a six-state pilot program protecting small wetlands into a national program, now called the Farmable Wetlands Program. The 2002 Farm Bill established mid-contract management to enhance cover and permit the harvest of biomass. For the first time, Congress authorized managed haying and grazing and the placement of wind turbines on CRP land under certain conditions.

The 2002 Farm Bill mandated a report to determine the economic and social impacts on rural communities resulting from CRP. This analysis was prepared under the leadership of the Department of Agriculture's Economic Research Service (ERS) and was submitted to Congress in January 2004. The report found that any negative impacts of CRP on rural economies tended to be small and transitory, and did not identify any negative impact on rural population, government services or tax burden.

There have been significant accomplishments under CRP since the 2002 Farm Bill, including the following highlights:

- USDA began delivering on the President's goal to re-enroll or extend contracts on more than 28 million acres of land, which were scheduled to expire from 2007 to 2010. More than 83 percent of producers with expiring 2007 contracts have elected to re-enroll or extend their contracts;

- FSA will offer new CRP contracts on one million acres of acceptable land under general sign-up 33. Total enrollment now stands at 36 million acres, and this total will increase to about 37 million acres once the general sign-up 33 acres are enrolled. Since the President enacted the 2002 Farm Bill, FSA has enrolled 2.9 million new acres into CRP through general signups;

- Restored wetlands enrolled in CRP reached 2 million acres as of April of 2006. These restored wetlands are the result of several initiatives, including the 500,000-acre Bottomland Hardwood Timber Initiative and the new 250,000-acre

Non-floodplain Wetland Restoration Initiative. "Bottomland Hardwood" improves flood plains through the restoration of primarily bottomland hardwood trees. "Non-floodplain Wetland" restores large wetland complexes and playa lakes located outside the recognized 100-year floodplain and is a part of the President's Wetland Initiative;

- Increased wildlife populations, including more than 2 million additional ducks annually in the Northern Prairie, recovered Sage and Sharp-Tailed Grouse populations in Eastern Washington, increased Ring-Necked Pheasant populations, and increased grassland bird populations. CRP is building upon these successes with several initiatives including enrollment of 100,000 acres in the 250,000-acre Presidential Quail Initiative to create habitat for quail, upland birds, and other species. We have executed agreements with Pheasants Forever, Ducks Unlimited and the National Wild Turkey Federation to jointly work toward achieving mutual program objectives;

- Signed 14 new CREP agreements (*Colorado, Florida, Idaho, Indiana, Louisiana, Minnesota, Montana, Nebraska, New Jersey, New York, Ohio, and Pennsylvania*) to protect water quality, improve water quantity, create wildlife habitat, and control erosion on more than 803,000 acres. Using the new authority in the 2002 Farm Bill we have implemented several CREPs targeting water conservation. The Platte Republican Resource Area CREP in Nebraska, for example, provides 100,000 acres to enroll irrigated cropland at irrigated rental rates in order to achieve water conservation benefits. Similar agreements were recently signed for a 35,000-acre Colorado program and a 100,000-acre program in Idaho;

- Developed one of the agency's first Web based applications, which uses geographic information system (GIS) technology to enroll land in CRP. This upgrade has improved workload management for county offices, saved time and money, and increased accuracy. The net savings generated from deploying PC and Web based software rather than using NRCS staff during general sign ups amounted to $11 million. Planned enhancements include full migration of all CRP contracts to a Web environment from the current legacy system.

- Developed a 10-state pilot program for private sector technical assistance that includes conservation plan training, which is scheduled to begin implementation during late summer 2006; and

In addition, we are preparing to implement the $404.1 million Emergency Forestry CRP program to restore more than 700,000 acres of private forestland damaged by 2005 calendar year hurricanes.

Emergency Conservation Program. ECP provides emergency funding and technical assistance to help farmers and ranchers rehabilitate farmland damaged by natural disasters. ECP helps affected producers implement emergency water conservation measures during periods of severe drought. ECP is funded by appropriations and is

implemented through state and county FSA committees. Subject to the availability of funds, locally-elected county committees are authorized to implement ECP for all disasters except drought, which is authorized at the national level. County FSA committees determine land eligibility by conducting onsite damage inspections that take into account the type and extent of damage.

For land to be considered eligible for ECP assistance, the natural disaster must create new conservation problems, which, if left untreated, would: (1) impair or endanger the land; (2) materially affect the land's productive capacity; (3) represent unusual damage which, except for wind erosion, is not the type likely to recur frequently in the same area; and (4) be so costly to repair that federal assistance is, or will be, required to return the land to productive agricultural use. Conservation problems existing prior to applicable disasters are ineligible for ECP assistance.

ECP program participants receive cost-share assistance of up to 75 percent of the cost to implement approved emergency conservation practices, up to $200,000 per *person* per disaster.

Generally, ECP participants may remove debris, restore fences, restore conservation structures, and provide water for livestock in drought situations. Since the 2002 Farm Bill, ECP has allocated more than $341 million in assistance for farmers and ranchers whose land was affected by natural disasters, including:

- $153.0 million for hurricanes;
- $97.0 million for drought;
- $42.7 million for floods;
- $32.0 million for wildfires and ice storms; and
- $16.0 million for tornadoes.

In addition, Congress appropriated $199.8 million in cleanup assistance for 2005 calendar year hurricanes. FSA immediately allocated approximately $63 million to assist affected producers. Allocation of the remainder of the funding required development of an interim final rule which was published in the Federal Register on May 26, 2006.

Grassland Reserve Program. GRP is a voluntary program authorized under the 2002 Farm Bill offering landowners the opportunity to protect, restore, and enhance grasslands on their property. FSA, NRCS and the Forest Service coordinate implementation of GRP, which helps landowners restore and protect grassland, rangeland, pastureland, shrubland and certain other lands and provides assistance for rehabilitating grasslands. This program conserves vulnerable grasslands from conversion to cropland or other uses and conserves valuable grasslands by helping maintain viable ranching operations.

Grasslands make up the largest land cover on America's private lands. Privately-owned grasslands and shrublands cover more than 525 million acres in the United States. As of October 2005, FSA has enrolled 2,500 contracts in 10-, 15- and 20-year rental agreements.

Considerations for the Future

While environmental indicators clearly indicate progress in resource conservation is being made, many challenges remain and new issues continue to emerge. For example, excess nutrients impair water quality in many rivers, streams, and lakes, and hypoxia is a significant problem in the Gulf of Mexico, Chesapeake Bay, and other waters. In addition, conflicts over water availability for agriculture, environmental, and urban use are increasing as water demands increase. As one of the largest water users, agriculture has a vital interest in securing water quality and quantity. Conservation is bringing about important achievements, but more can be done, particularly for wetland and aquatic systems.

Another emerging challenge is to reduce greenhouse gas concentrations in the atmosphere, which will require more attention to achieving greater carbon sequestration in agricultural soils.

Policy Considerations

There are several broad policy considerations that should be examined, including:

- Further identifying and quantifying *specific* conservation and environmental goals which could include water quality, wetlands, wildlife habitat, air quality, soil erosion;

- Identifying and quantifying *indirect* conservation and environmental goals which could include carbon sequestration, more trees, recovery of threatened and endangered species, increased flood control, and recreation;

- Determining how to better integrate conservation programs into overall farming production, marketing, farm supports, and financial goals;

- Understanding World Trade Organization implications and developing programs that are deemed to be minimally or non-trade distorting;

- Developing tools to encourage private sector markets for environmental services; and

- Developing measures to improve performance to ensure that limited taxpayer resources are cost-effectively used to obtain goals.

In addition to identifying policy goals, attention should be given to resources needed to accomplish those goals. The use of information technology (IT) is vital for cost-effective delivery. We recognize that conservation programs can become more effective as we become more proficient in developing software. There is, however, intense competition for IT funds, which could affect program implementation.

Program Issues

There are several program considerations that should be examined as well, including:

- Should land subject to an expiring CRP contract be considered eligible for re-enrollment even if that land is no longer capable of being cropped due to an easement, conversion to trees, or inundation by water?

- Should the cropping history requirement in CRP be updated from the current base period of 1996 through 2001?

- Should CRP's enrollment authority of 39.2 million acres remain the same, be lowered, or increased? Should acreage allocations be set for the different components of CRP (general, continuous, CREP)?

- Should CRP payment limitation requirements, established in the 1985 Farm Bill at $50,000 per *person*, remain the same, be lowered, or increased?

- Should certain conservation practices such as wetlands and buffers be exempt from the 25 percent county cropland limitation?

- Should the standard for waivers of the 25 percent county cropland limitation be modified to address situations where producers are having difficulty complying with highly erodible conservation plans in a county?

- How can FSA better ensure that CRP participants are adequately managing invasive species on their enrolled lands as required by their contracts?

- Should short-term CRP contracts be authorized for saline seep control or for energy crop production?

- Should monitoring and assessment efforts be continued or expanded?

- Should GRP be amended to remove or modify the statutory 60/40 division of funding towards easement and rental agreement funding?

- Should the 2 million acre GRP limitation be clarified to mean restored acres or all enrolled acres?

- Should GRP easements remain the same, be increased, or reduced?

Conclusion

Conservation programs have provided notable achievements in both conserving and protecting our natural resources. However, several existing and emerging environmental challenges will require needed attention as we approach reauthorization of the 2002 Farm

Bill. In addition, the potential value of conservation programs as part of the income safety net will be among the many policy issues that will need serious consideration and foresight.

Again, we appreciate the opportunity to offer our observations. Thank you.

APPENDIX

Buffer and Wetland Practices in CRP, Cumulative Enrollment April 2006

Practice	Acres
Buffers	
Water and Soil Quality Buffers 1/	2,182,006
Upland Bird Buffer Initiative	99,324
Windbreaks and related practices 4/	119,603
Total	2,400,933
Wetland Practices	
Wetland Restoration-General Sign-up 2/	1,564,766
Floodplain Initiative	88,795
Non-Floodplain and Playa Initiative	17,780
Farmable Wetland Program	148,606
Bottomland Hardwood Initiative	24,736
CREP 2/	81,164
Other 3/	67,429
Total	2,000,281

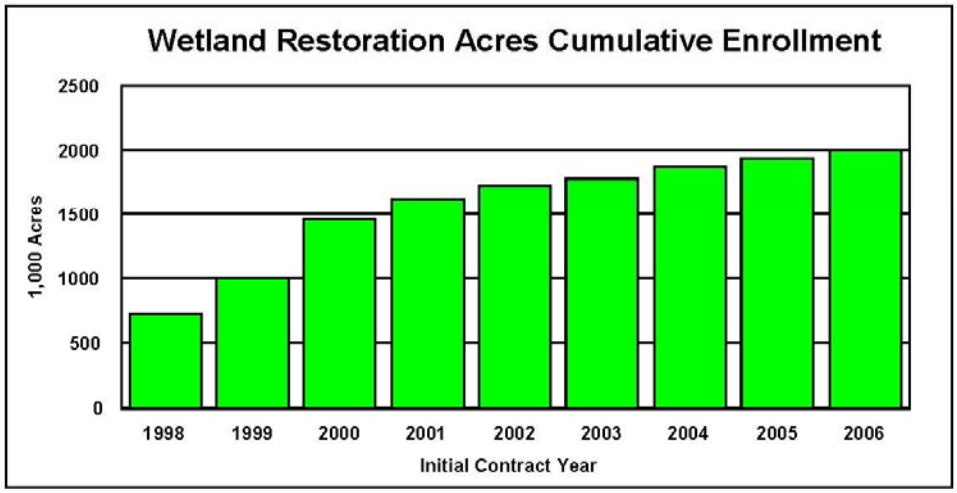
1/ Includes grass waterways, grass and forest riparian buffers, riparian pasture, wellhead protection buffers, and contour grass strips.
2/ Acres enrolled prior to moving wetland restoration practice (CP23) to continuous signup.
3/ Shallow water area for wildlife and wetland buffers on riparian pasture.
4/ Includes field windbreaks, shelterbelts, living snow fences, and cross trap wind strips.

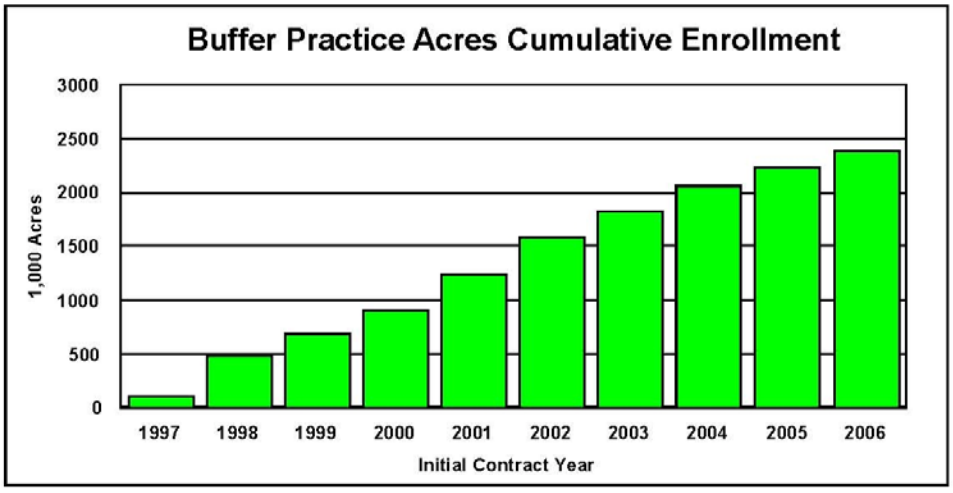
ACRES ENROLLED IN CRP BY PRACTICE TYPE AND DATE OF ENROLLMENT 1/

Data as of April 2006

STATE	TOTAL	ENROLLED AFTER '02	PRACTICE TYPE OF CURRENT 36-MILLION-ACRE ENROLLMENT			
			GRASS	TREES	WETLAND	BUFFERS
ALABAMA	492,049	47,137	133,990	322,166	413	33,407
ALASKA	29,720	299	29,212	0	303	185
ARKANSAS	218,141	63,237	37,505	100,127	24,870	54,978
CALIFORNIA	146,922	11,064	135,202	429	5,268	7,888
COLORADO	2,385,180	206,068	2,373,159	518	1,133	13,234
CONNECTICUT	318	0	235	0	0	83
DELAWARE	7,733	827	2,143	3,224	763	1,567
FLORIDA	84,461	8,334	5,853	78,387	0	71
GEORGIA	306,156	33,454	14,612	285,777	367	3,651
IDAHO	802,097	74,774	782,006	7,822	1,698	9,780
ILLINOIS	1,049,147	217,212	608,430	69,193	54,279	310,661
INDIANA	305,166	71,634	171,294	29,335	11,032	90,806
IOWA	1,953,125	296,096	1,325,538	24,728	133,978	406,607
KANSAS	3,106,225	516,162	2,613,667	2,038	7,828	75,252
KENTUCKY	351,774	61,655	271,990	8,578	3,265	59,830
LOUISIANA	290,137	97,411	42,942	184,601	54,399	7,949
MAINE	23,653	705	22,320	982	1	367
MARYLAND	85,660	9,919	22,051	1,896	3,611	58,537
MASSACHUSETTS	74	0	53	0	0	27
MICHIGAN	271,135	65,721	182,741	16,137	17,974	52,370
MINNESOTA	1,796,155	167,300	1,020,857	56,985	365,899	227,655
MISSISSIPPI	953,386	123,556	142,348	636,350	15,998	154,412
MISSOURI	1,570,837	221,016	1,375,204	28,490	11,461	86,695
MONTANA	3,491,453	172,837	3,136,597	1,175	4,813	4,282
NEBRASKA	1,287,840	202,436	1,090,638	5,201	19,087	65,850
NEW HAMPSHIRE	193	1	11	0	0	182
NEW JERSEY	2,453	416	1,978	143	4	314
NEW MEXICO	599,142	6,530	591,419	160	0	7,885
NEW YORK	63,450	10,470	46,814	2,747	301	12,964
NORTH CAROLINA	133,051	28,576	24,685	60,827	5,223	42,261
NORTH DAKOTA	3,367,406	62,090	2,434,460	2,002	785,017	27,026
OHIO	320,259	106,407	215,301	14,735	5,885	81,419
OKLAHOMA	1,058,453	71,440	1,021,640	1,141	1,565	7,078
OREGON	542,356	94,577	502,506	3,615	382	35,732
PENNSYLVANIA	217,545	91,462	193,641	2,071	1,113	19,260
PUERTO RICO	1,032	436	424	172	0	436
SOUTH CAROLINA	213,988	11,695	20,700	152,407	2,378	37,651
SOUTH DAKOTA	1,509,792	104,964	1,004,875	2,149	425,511	142,976
TENNESSEE	276,364	63,568	219,091	34,784	3,017	19,060
TEXAS	4,048,045	211,680	3,983,991	9,257	10,291	49,672
UTAH	205,350	6,590	205,028	0	0	280
VERMONT	1,689	411	116	0	3	1,571
VIRGINIA	65,613	11,364	21,238	19,798	386	24,090
WASHINGTON	1,479,743	252,565	1,363,739	2,539	3,568	109,252
WEST VIRGINIA	3,365	1,717	690	136	0	2,540
WISCONSIN	617,352	89,961	442,863	91,986	17,195	47,058
WYOMING	284,775	6,066	278,368	85	0	6,037
U.S.	36,020,158	3,901,866	28,114,316	2,264,894	2,000,281	2,400,933

1/ Sign-up 33 not included. States with fewer than 4 contracts excluded.


Wetland Restoration Acres Cumulative Enrollment
2500
2000
1500
1000
500
0
1,000 Acres
1998
1999
2000
2001
2002
2003
2004
2005
2006
Initial Contract Year


Buffer Practice Acres Cumulative Enrollment
3000
2500
2000
1500
1000
500
0
1,000 Acres
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Initial Contract Year

ECP Allocations from Implementation of 2002 Farm Bill to Present						
State	**Drought**	**Flood**	**Hurricane**	**Other**	**Tornado**	**Total Allocation**
Alabama	76,500	162,678	14,918,100	1,250	1,141,500	16,300,028
Alaska	0	0	0	0	0	0
American Samoa	0	0	0	0	0	0
Arizona	1,291,600	713,700	0	25,500	0	2,030,800
Arkansas	5,782,500	370,000	0	1,344,797	240,100	7,737,397
California	288,000	7,037,800	0	110,000	0	7,435,800
Colorado	3,427,450	536,300	0	649,900	23,400	4,637,050
Connecticut	157,500	233,800	0	0	0	391,300
Delaware	0	0	5,300	0	0	5,300
Florida	0	0	72,592,000	0	0	72,592,000
Georgia	1,987,500	1,439,100	11,107,600	874,200	1,139,200	16,547,600
Guam	0	0	187,500	30,000	0	217,500
Hawaii	0	2,042,100	0	0	0	2,042,100
Idaho	1,605,050	50,000	0	73,300	0	1,728,350
Illinois	644,500	867,100	0	0	166,200	1,677,800
Indiana	0	572,100	0	65,400	166,000	803,500
Iowa	869,500	1,405,900	0	771,100	2,015,200	5,061,700
Kansas	1,700	1,155,000	0	0	1,262,100	2,418,800
Kentucky	2,666,100	226,900	0	7,000,000	337,300	10,230,300
Louisiana	0	0	18,012,000	20,800	137,000	18,169,800
Maine	304,000	599,000	0	3,650	0	906,650
Maryland	778,500	0	68,000	0	144,250	990,750
Massachusetts	567,000	275,000	0	0	0	842,000
Michigan	0	59,000	0	0	180,600	239,600
Minnesota	0	1,677,700	0	0	269,600	1,947,300
Mississippi	0	129,500	10,522,000	0	237,000	10,888,500
Missouri	8,850,400	1,533,750	0	0	3,621,650	14,005,800
Montana	7,451,700	779,000	0	558,000	0	8,788,700
Nebraska	1,734,300	328,300	0	196,300	1,026,700	3,285,600
Nevada	3,185,800	1,952,538	0	31,250	0	5,169,588
New Hampshire	116,000	412,000	0	0	0	528,000
New Jersey	0	1,618,500	0	0	0	1,618,500
New Mexico	3,106,450	419,000	0	22,800	0	3,548,250
New York	85,250	2,301,950	0	321,900	87,000	2,796,100
North Carolina	2,036,000	1,457,500	18,467,300	503,800	155,694	22,620,294
North Dakota	787,840	0	0	152,150	0	939,990
Northern Mariana	0	0	0	0	0	0
Ohio	3,085,800	2,109,100	766,100	1,335,800	220,550	7,517,350
Oklahoma	5,743,200	200,450	0	2,950,800	626,050	9,520,500
Oregon	1,346,100	333,600	0	159,900	0	1,839,600
Pennsylvania	501,250	391,500	1,432,700	0	46,850	2,372,300
Puerto Rico	0	0	34,900	0	0	34,900
Rhode Island	25,000	100,000	0	0	0	125,000
South Carolina	2,038,250	0	0	1,776,200	0	3,814,450
South Dakota	16,561,500	0	0	20,000	57,500	16,639,000

Tennessee	519,911	1,282,200	194,000	36,000	2,477,100	4,509,211
Texas	3,293,700	3,416,100	1,000,000	10,173,700	420,400	18,303,900
Utah	3,685,400	2,493,900	0	37,300	0	6,216,600
Vermont	524,150	212,050	0	318,000	0	1,054,200
Virgin Islands	0	0	0	0	0	0
Virginia	5,471,900	1,279,900	3,256,500	0	50,000	10,058,300
Washington	3,157,000	249,000	0	618,000	0	4,024,000
West Virginia	0	143,500	453,800	2,036,800	0	2,634,100
Wisconsin	0	34,150	0		0	34,150
Wyoming	2,938,760	159,000	0	82,500	0	3,180,260
TOTAL	**$96,693,061**	**$42,759,666**	**$153,017,800**	**$32,301,097**	**$16,248,944**	**$341,020,568**